

DEWEY & LeBOEUF

Dewey & LeBoeuf LLP
1301 Avenue of the Americas
New York, NY 10019

tel +1 212 259 8000
fax +1 212 259 6333

January 20, 2010

BY FACSIMILE

Honorable Paul G. Gardephe
United States District Judge
United States District Court
Southern District of New York
500 Pearl Street
New York, NY 10007

Re: *Securities and Exchange Commission v. Reserve Management Company, Inc., et al.*, Civil Action No. 09-CV-4346 (PGG)

Dear Judge Gardephe:

We represent defendants Reserve Management Company, Inc. ("RMCI"), Resrv Partners, Inc., Bruce R. Bent Sr., and Bruce R. Bent II (collectively, "Defendants") in the above-noted action. In the telephonic conference held in the action on Friday, January 15, 2010, the Securities and Exchange Commission ("SEC") stated there would be \$40 million left in the Expense Fund if the various fees, expenses, and indemnification claims submitted on January 11, 2010 are all paid. Your Honor asked us to submit a letter on whether Defendants believe this amount should be distributed along with the \$3.4 billion already agreed upon. This letter responds to Your Honor's request.

Defendants have some reservations about adding an additional \$40 million to the upcoming \$3.4 billion distribution. Based on our calculations, the total amount in fees and expenses (including Indemnification Expenses) already being sought is approximately \$134.6 million.¹ That amount includes estimated Indemnification Expenses only for claims that have already been filed. The Court's November 25, 2009 Order recognized there might be new claims

¹ This assumes RMCI will continue to incur its estimated \$600,000 in monthly costs over the next 18 months. The Statement of Estimated Fees and/or Costs filed on January 11, 2010 by the Reserve Primary Fund (the "Fund") based its own estimates on the possibility it might take that long for the Fund to be liquidated.

Honorable Paul G. Gardephe
January 20, 2010
Page 2

for non-indemnifiable conduct and directed indemnitees to submit their estimated Indemnification Expenses for any such claims after they are filed.

As the Court is aware, the parties previously agreed that the \$3.4 billion distribution would leave an undistributed amount of approximately \$166 million. Subtracting from that the total amount in fees and expenses already sought by the parties (~\$134.6 million) leaves only approximately \$31.4 million. In view of that amount, and the possibility that further substantial claims might be made for Indemnification Expenses on *new* claims, we believe it would be prudent to continue, for the time being, to reserve the \$166 million previously agreed upon.

Notwithstanding our foregoing reservations, in a spirit of compromise and to help increase the amount of the upcoming distribution, we propose an additional *\$20 million* be added to the upcoming distribution. We have conferred with the SEC, counsel for the Fund, and counsel for the Fund's Independent Trustees, and none object to our proposal. If the Court agrees, we will promptly add \$20 million to the amount to be distributed.

Respectfully,



Christopher J. Clark

cc: All counsel of record by ECF